CABLE & WIRELESS

Announcement

CABLE AND WIRELESS plc INTERIM MANAGEMENT REPORT RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

- **Group EBITDA before exceptionals up 29% to £284 million, up 40% at constant currency**
- **Europe, Asia & US EBITDA before exceptionals quadrupled from £24 million to £99 million, an EBITDA margin of 10%. Gross margin 41%, up from 35% in first half of last year. Revenue expected to grow from the second half of 2007/08**
- **Europe, Asia & US (excluding C&W Access) expected to be cash flow positive in the second half of 2007/08**
- **International EBITDA before exceptionals grew by 6% to US$398 million – mobile and broadband customers up 34% and 30% to 5.7 million and 439,000 respectively**
- **Group profit before income tax more than doubled to £166 million**
- **Interim dividend of 2.5 pence (2006/07: 1.7 pence), an increase of 47%. The full year dividend is expected to be approximately 7.5 pence, an increase of 28%**
- **Europe, Asia & US EBITDA guidance up £35 million to between £205 million and £215 million. International guidance down US$20 million to between US$820 million and US$840 million. Sterling Group EBITDA guidance essentially unchanged**

CHAIRMAN'S STATEMENT

Commenting on the results, Richard Lapthorne, Chairman of Cable and Wireless plc, said:

"It's been another good six months. The Europe, Asia & US turnaround is ahead of our own, and market, expectations with the successful execution of our strategy clearly visible in gross margin and EBITDA. Turning cash flow positive in the second half will be a significant milestone for the business. International continues to deliver good growth from mobile and broadband. I am pleased to announce that we intend to pay a dividend of 2.5 pence, a further demonstration of our confidence in the current performance and future potential of both our businesses."

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GROUP RESULTS

The Group results presented below should be read in conjunction with the Group's condensed consolidated income statement, balance sheet and cash flow statement and related notes on pages 27 to 38.

	For the six months ended 30 September 2007			For the six months ended 30 September 2006		
	Pre-exceptionals	Exceptionals[1]	Total	Pre-exceptionals	Exceptionals[1]	Total
	£m	£m	£m	£m	£m	£m
Revenue	1,563	-	1,563	1,718	-	1,718
Cost of sales	(766)	-	(766)	(917)	-	(917)
Gross margin	797	-	797	801	-	801
Operating costs (excluding LTIP charge)	(513)	(8)	(521)	(580)	(22)	(602)
EBITDA[2]	**284**	**(8)**	**276**	**221**	**(22)**	**199**
LTIP charge	(30)	-	(30)	(5)	-	(5)
Depreciation and amortisation	(137)	-	(137)	(130)	-	(130)
Net other operating income/(expense)	3	53	56	9	(9)	-
Operating profit/(loss)	**120**	**45**	**165**	**95**	**(31)**	**64**
Share of post-tax profit of joint ventures and associates	18	-	18	21	-	21
Total operating profit/(loss)	**138**	**45**	**183**	**116**	**(31)**	**85**
Net finance expense	(12)	(10)	(22)	(16)	-	(16)
Gain on sale of non-current assets	2	-	2	-	-	-
Gain on termination of operations	3	-	3	-	10	10
Profit/(loss) before income tax	**131**	**35**	**166**	**100**	**(21)**	**79**
Income tax expense	(29)	(5)	(34)	(24)	-	(24)
Profit/(loss) for the period from continuing operations	**102**	**30**	**132**	**76**	**(21)**	**55**
Profit for the period from discontinued operations	2	-	2	-	3	3
Profit/(loss) for the period	**104**	**30**	**134**	**76**	**(18)**	**58**
Attributable to equity holders of the Company	74	30	104	49	(18)	31
Attributable to minority interests	30	-	30	27	-	27
Profit/(loss) for the period	**104**	**30**	**134**	**76**	**(18)**	**58**
Earnings/(losses) per share from continuing operations attributable to equity holders (pence)	3.0p	1.2p	4.2p	2.1p	(0.9)p	1.2p
Earnings/(losses) per share attributable to equity holders (pence)	3.1p	1.2p	4.3p	2.1p	(0.8)p	1.3p
Earnings/(losses) per share excluding LTIP charge (pence)	4.3p	1.2p	5.5p	2.3p	(0.8)p	1.5p
Dividend per share (pence)			2.5p			1.7p
Capital expenditure (£m)			(173)			(174)
Cash and cash equivalents (£m)			757			774

[1] Exceptionals comprise items considered exceptional by virtue of their size, nature or incidence and include restructuring and impairment charges, and releases of certain provisions and certain profits and losses on disposal of non-current assets. For further details on exceptionals, refer to page 6

[2] Earnings before interest, tax, depreciation and amortisation, Long Term Incentive Plan (LTIP) charge and net other operating income/expense

ANALYSIS OF GROUP RESULTS

The Group's financial performance and outlook are described on pages 4 to 10 and are discussed in more detail in the International and Europe, Asia & US sections that follow on pages 11 to 17 and 18 to 22 respectively. The results and the supporting commentary compare performance for the six months 1 April to 30 September 2007 to the corresponding six months in 2006.

As we stated in May 2007, given that the US dollar is the dominant currency for International, we are now reporting International's results in US dollars to give a better reflection of the underlying performance of our business. The average US$:£ exchange rate for the period was 1.9921 compared to 1.8272 for the first half of 2006/07.

The commentary that follows refers to the Group results before exceptional items. For analysis of exceptional items, see page 6.

Group results before exceptional items

Revenue
The strategy of Europe, Asia & US to focus on serving larger customers with higher margin IP services, while actively shedding lower margin customers, has resulted in the fall in Group revenue to £1,563 million. International revenue increased 7% in US dollar terms as a result of continued growth in mobile and broadband revenue more than offsetting declines in fixed line voice revenue. When translated into sterling, International revenue shows a 2% (£12 million) decrease due to the weaker US dollar.

Gross margin
On a constant currency basis, our gross margin has increased 4% to £797 million, predominantly driven by mobile and broadband growth in International. When taking into account the weakening of the US dollar, our reported gross margin for the Group has remained relatively flat compared to the equivalent period last year (£801 million). As a percentage of revenue, gross margin for the Group has improved by four percentage points from 47% to 51% mainly due to an improving product mix and initiatives to reduce cost of sales within Europe, Asia & US.

Operating costs
The decrease in operating costs of £67 million to £513 million principally reflects the progress made in the turnaround of Europe, Asia & US. In addition to the savings achieved in the main enterprise business, our decision to exit the UK residential broadband market in June 2006 has enabled us to reduce sales and marketing costs and headcount following the successful integration of C&W Access into Europe, Asia & US. The 7% increase in International's operating costs in US dollar terms has been more than offset by the translation impact of the weaker US$:£ exchange rate.

EBITDA
The trends in gross margin and operating costs described above resulted in a 29% (40% at constant currency) improvement in EBITDA of £63 million to £284 million, compared to the first half of 2006/07.

Long term incentive plan (LTIP) charge
The £30 million charge for the period was split between International and Europe, Asia & US as £9 million and £21 million respectively. At 30 September 2007, the LTIP accrual in the balance sheet, calculated in accordance with IAS 19, was £54 million. This accrual reflects 18 months of service out of the 48 month LTIP plan period and the £1,754 million increase in market capitalisation from 1 April 2006 to 30 September 2007, of which 10% goes into the LTIP reward pool after taking into account the equity hurdle rate, the notional interest charge and the cash flows in and out.

The LTIP accrual does not represent a committed amount to participants in the plan as the eventual payout is dependent on performance over the life of the plan and in accordance with the rules of the plan.

Depreciation and amortisation
The depreciation and amortisation (including the amortisation of acquired intangibles) charge increased by £7 million to £137 million compared to the first half of 2006/07. This increase reflects the recent level of capital expenditure.

Net other operating income
Net other operating income of £3 million relates primarily to hurricane-related insurance proceeds and costs.

Share of post-tax profit of joint ventures and associates
Excluding Batelco, our Bahraini associate disposed of in January 2007, which contributed £12 million post-tax profit in the first half of 2006/07, our share of post-tax profits of joint ventures and associates increased from £9 million to £18 million. This result reflects a better performance by TSTT, our joint venture in Trinidad, which contributed £9 million (nil in the first half of 2006/07). Further analysis of the performance of these businesses can be found on page 16.

Net finance expense
The £12 million net finance expense for the six months to 30 September 2007 comprises finance income of £32 million and finance expense of £44 million and compares with a net finance expense of £16 million for the same period last year.

Finance expense has increased by £4 million as a result of adverse foreign exchange movements on our US dollar cash balances and increased debt in our International business partially offset by reduced interest expense as a result of repurchasing and converting our convertible bond in the period. Finance income increased by £8 million due to higher interest rates on cash balances compared with the first half of last year.

Income tax expense
The total tax charge of £29 million for continuing operations (£24 million for the six months to 30 September 2006) comprises a credit of £7 million (£10 million for 30 September 2006) in respect of UK tax and a charge of £36 million (£34 million for 30 September 2006) for overseas taxes.

The above charges are in line with percentage tax rate guidance provided for continuing operations of the business; effectively nil in Europe, Asia & US and mid to low twenties for International.

Pensions
The IAS 19 surplus for the main UK scheme at 30 September 2007 is £211 million compared with a surplus of £43 million at 31 March 2007 (and a £77 million deficit as at 30 September 2006). The increase in the main UK scheme's surplus since 31 March 2007 reflects the impact of a reduction in scheme liabilities of £112 million driven by an increase in the discount rate from 5.3% to 5.8% and an increase in the scheme's assets of £56 million. We have unfunded pension liabilities in the UK of £21 million (£22 million at 31 March 2007). Defined benefit schemes operated in certain of our overseas businesses have a net IAS 19 surplus of £5 million (£7 million surplus at 31 March 2007).

Operating costs have also benefited from an IAS 19 net pension credit of £10 million in relation to the main UK defined benefit scheme (£3 million for the six months to 30 September 2006); £7 million in Europe, Asia & US and £3 million in International.

The main UK scheme's asset portfolio was recently rebalanced towards bonds and cash, locking in value following strong equity performance. We also implemented a swap programme of some £900 million of assets to match the fund's asset returns better to its liabilities. Fund assets are now 25% bonds, 46% equities, 7% property and 22% cash.

The triennial valuation scheduled to commence at 31 March 2008 has been brought forward to 31 March 2007 in order to provide up to date information for further risk management decisions. Results of the valuation should be available when we report our preliminary results (planned for 22 May 2008).

Discontinued operations
During the period, we recognised a £2 million credit from the release of provisions relating to the exit from our former US businesses.

Group exceptional items

In the first half of 2007/08, we recognised net exceptional income of £30 million from continuing operations comprising:

Exceptional items within operating profit:		
Profit on sale and leaseback of properties	£53m	(Europe, Asia & US)
Gain on Seychelles cash repatriation	£14m	(International)
EAU restructuring charges	£(11)m	(Europe, Asia & US)
Charge for legal fees	£(11)m	(International)
Exceptional items below operating profit:		
Loss on repurchasing convertible bonds	£(10)m	(Central)
Tax on Seychelles cash repatriation	£(5)m	(International)
Total exceptional items	**£30m**	

A sale and leaseback transaction was completed for nine freehold properties in Europe, Asia & US in April 2007. The disposal of the properties for £88 million resulted in a profit of £53 million.

We successfully concluded a transaction enabling us to repatriate £24 million that had previously been blocked in the Seychelles due to exchange controls. As a result, International recorded a net gain before taxation of £14 million after accounting for the release of provisions held against these funds. As a consequence of this transaction, there was a £5 million exceptional tax charge.

Restructuring costs of £11 million were recognised during the period as part of the Europe, Asia & US turnaround programme.

In July 2007, we received a claim from our Caribbean competitor, Digicel, which we believe is without foundation and will be vigorously defended. The claim alleges that Cable & Wireless delayed Digicel's entry into seven Caribbean markets by not providing interconnection between its networks and ours on a timely basis. We strongly reject this allegation. Based on legal advice, we are making no provision for the claim itself, but have recorded a charge of £11 million for the legal fees for our defence.

During the period, convertible bonds with a par value of £138 million were repurchased for cash of £190 million. This resulted in an accounting loss of £10 million being the difference between the carrying and fair value of the underlying debt component of the repurchased bonds. The transaction will result in total interest charge savings of £13 million and reduces dilution for our shareholders. For further information, refer to page 35.

Dividend

We are declaring an interim dividend of 2.5 pence per share, which represents an increase of 47% over the prior year's interim dividend and reflects the Board's confident outlook - as well as progress made in the first six months of 2007/08. We are moving the structure of the dividend to an approximate split of 1/3 for the interim and 2/3 for the final dividend. Subject to our trading performance in the second half of 2007/08, we expect to recommend a final dividend for 2007/08 of approximately 5.0 pence, resulting in a full year dividend of approximately 7.5 pence, a year on year increase of 28%.

The interim dividend of 2.5 pence per share will be paid on 25 January 2008 to ordinary shareholders on the register as at 23 November 2007.

Dividend per share (pence)	**2007/08**	**2006/07**	**2005/06**
Interim	2.50	1.70	1.40
Final	5.00[1]	4.15	3.10
Full year	7.50[1]	5.85	4.50

[1] Subject to trading performance in the second half of 2007/08, we will be recommending a 5.0p final dividend

The scrip dividend scheme will be offered in respect of the interim dividend. Those shareholders who have already elected to join the scheme need do nothing since the interim dividend will be automatically applied to the scheme. Shareholders wishing to join the scheme for the interim dividend (and all future dividends) should return a completed mandate form to: Equiniti Ltd., The Causeway, Worthing, West Sussex, BN99 2DZ by 27 December 2007. Copies of the mandate form, and the scrip dividend brochure, can be obtained from Equiniti Ltd. (formerly Lloyds TSB Registrars) (UK callers: 0870 600 3975, overseas callers: +44 (0)121 415 7047) or from our website www.cw.com.

Reconciliation of Group EBITDA to net cash flow before financing

	For the six months ended 30 September 2007[1] £m
EBITDA[2]	284
Exceptional items	(8)
EBITDA less exceptionals	**276**
Movement in exceptional provisions	(16)
Movement in working capital and other provisions	(79)
Income taxes paid	(15)
Investment income	32
Purchase of property, plant, equipment and intangible assets	(189)
Acquisitions and disposals	81
Other income	3
Net cash inflow before financing activities	**93**

[1] Based on internal management accounts
[2] Earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income and exceptionals

The Group net cash inflow before financing activities of £93 million represents inflows of £108 million (US$215 million) in International and £3 million in Central and an outflow of £18 million in Europe, Asia & US including the £88 million proceeds from the sale and leaseback transaction. Further details in respect of International and Europe, Asia & US are included on pages 17 and 22 respectively.

The net cash inflow before financing in Central of £3 million represents investment and other income of £21 million and a working capital inflow of £3 million partially offset by an EBITDA loss of £15 million. In addition, acquisitions and disposals include £6 million of dividends paid to minority shareholders in Monaco.

Group cash and debt

Cash and cash equivalents

	As at 30 September 2007 £m	As at 31 March 2007 £m	As at 30 September 2006 £m
Europe, Asia & US	33	20	16
International	145	143	146
Central	579	885	650
Group cash and short term investments	**757**	**1,048**	**812**
Less: credit-linked notes	-	-	(38)
Group cash and cash equivalents	**757**	**1,048**	**774**

Group cash and cash equivalents is £757 million, a decrease of £291 million from 31 March 2007 and of £17 million from 30 September 2006.

In the six month period ended 30 September 2007, the repurchase of the convertible bonds due in 2010 resulted in a cash outflow of £190 million. In addition, we paid £34 million repurchasing bonds due in 2019 with a nominal value of £32 million and paid £95 million in respect of the final dividend for the 2006/07 year. These outflows were partially offset by £88 million cash received from the property sale and leaseback transaction in Europe, Asia & US.

The remaining outflow of £60 million relates to operational outflow in Europe, Asia & US partially offset by cash generated by International and Central. During the period, Central has provided funding of £109 million to Europe, Asia & US whilst receiving £56 million from International.

The increase in the group cash position during the six months ended 31 March 2007 was primarily due to the net proceeds from the disposal of our associate in Bahrain, Batelco, in January 2007 (£256 million).

Debt

	Due in less than 1 year £m	Due in more than 1 but less than 2 years £m	Due in more than 2 but not more than 5 years £m	Due in more than 5 years £m	Total £m
Europe, Asia & US	12	6	-	-	18
International	34	23	59	16	132
Central	-	-	161	147	308
Group debt as at 30 September 2007	**46**	**29**	**220**	**163**	**458**
Group debt as at 30 September 2006	**73**	**34**	**222**	**369**	**698**
Group debt as at 31 March 2007	**77**	**21**	**265**	**353**	**716**

During the period, the Group repurchased and converted all of the convertible bonds in issue at 31 March 2007 (carrying value of £213 million). These bonds had a par value of £258 million and were repayable in 2010. Of these, convertible bonds with a par value of £138 million were repurchased for cash of £190 million. The remaining convertible bonds, with a par value of £120 million, were converted into 83 million ordinary shares (including 29 million of treasury shares). We also repurchased bonds due in 2019 with a carrying value of £32 million, reducing the total 2019 bonds outstanding to £147 million.

The improvement in the Group's cash flows and the progress of the Europe, Asia & US restructuring to date have led both Standard and Poor's and Moody's to improve our credit ratings outlook in the period.

Exchange rate movements
Compared with the same period last year, both the US and the Jamaican dollar have weakened against sterling by 9% and 13% respectively.

A one US cent change in the US$:£ exchange rate has approximately a £1.5 million impact on a full year's EBITDA of the International business, as approximately 79% of International EBITDA is earned in US$ denominated or related economies.

A one dollar change in the Jamaican$:£ exchange rate has approximately a £0.2 million impact on a full year's EBITDA of the International business.

We have hedged the bulk of our projected current year net surplus US$ cash flow arising from International repatriation, after deducting anticipated Europe, Asia & US requirements, by way of forward contracts at US$1.9988.

	For 6 months ended 30 September 2007	For 6 months ended 31 March 2007	For 6 months ended 30 September 2006
US$: £			
Average	1.9921	1.9342	1.8272
Period end	2.0206	1.9631	1.9024
Jamaican$: £			
Average	136.00	129.27	120.17
Period end	140.98	132.74	125.43

MANAGEMENT CHANGE

Today, we have separately announced changes to the management of our International business. In brief, Harris Jones is to step down as Chief Executive of International from today, and leave the business towards the end of 2007 once handover is complete. A search will be initiated to find a new Chief Executive of International. John Pluthero is to become Executive Chairman of International with immediate effect, while continuing a similar role for Europe, Asia & US. Lord Robertson of Port Ellen will act as Senior International Advisor to Cable & Wireless and step down as Non-Executive Chairman of International. All other aspects of the Group operating structure remain the same.

Harris Jones will receive his contractual entitlement on leaving, including £4.3 million for his pro-rated share in the Long Term Incentive Plan (LTIP) having delivered value creation on behalf of shareholders from International of over £1 billion since he joined in November 2004, of which three quarters of a billion has been created since the commencement of the LTIP on 1 April 2006. There will be no additional charge to shareholders for the LTIP regarding this management change as there is a finite pool of units in the plan. John Pluthero will receive 50% of Harris Jones' LTIP units for the remaining life of the LTIP after deduction of the LTIP payment above to Harris Jones.

GROUP OUTLOOK

For Europe, Asia & US (including C&W Access), due to our improving trading performance and a £15 million full year estimated net pension credit for 2007/08, we now anticipate that our EBITDA for the full year 2007/08 will be between £205 million and £215 million - a £35 million improvement from our previous EBITDA guidance. We have reduced our International dollar guidance by US$20 million to between US$820 million and US$840 million, primarily due to the poor performance in Jamaica. We have also updated our forecast US$:£ exchange rate from 1.95 to 2.00. As a result of all of the above, sterling Group EBITDA guidance is essentially unchanged.

We therefore now expect the following outcomes:

For the Group:
- EBITDA for 2007/08 in the range of £585 million to £610 million.

Range:	**Low**	**High**
	US$m	**US$m**
International	**820**	**840**
	£m	**£m**
International	410	420
Europe, Asia & US[1]	205	215
Central	(30)	(25)
Group EBITDA	**585**	**610**
Previously	*573*	*608*

[1] Includes C&W Access

For International:
- EBITDA margin between 35% and 37% by 2008/09;
- Capital expenditure to continue at 12% to 14% of revenue;
- The percentage tax rate to be in the mid to low twenties until at least 2008/09;
- Annual cash repatriation to be at least 100% of our proportionate share of net cash flow after external financing from our subsidiaries;
- Working capital movement to be zero as a percentage of revenue by 2008/09.

For Europe, Asia & US (including C&W Access)
- Total net cash outflow before financing for 2007/08 to be about £140 million (excluding the receipt of £88 million from the sale and leaseback transaction announced on 2 April 2007);
- Capital expenditure of approximately 10% of revenue for the foreseeable future;
- The percentage current tax rate to be effectively nil for the foreseeable future;
- For main enterprise business only (i.e. excluding C&W Access):
  - Future revenue of about £2 billion and double digit operating margin;
  - Cash flow positive for the second half of 2007/08;
  - From 1 April 2006, total cash outflow before the business becomes cash generative to be no more than £280 million (excluding the £88 million sale and leaseback transaction announced on 2 April 2007).This includes £180 million of exceptional cash items relating to the Europe, Asia & US turnaround along with capital expenditure, working capital requirements and payments against provisions made in prior periods.

For Central:
- EBITDA cost for 2007/08 in the range of £25 million to £30 million.

INTERNATIONAL

Cable & Wireless International is the world's leading full service telecoms provider for small to medium markets, offering mobile, broadband, international and domestic fixed line services to residential and business customers. We operate in 33 countries, through 25 subsidiaries and eight joint ventures. Our principal businesses are in the Caribbean, Panama, Macau, Monaco and Islands (Islands comprises operations in the Channel Islands, Isle of Man, Indian, Atlantic and Pacific Oceans).

We aim to be the telecoms provider of choice in all our markets by offering our customers simple to use, innovative, value for money services.

Commenting on the results for the six months ended 30 September 2007, John Pluthero, Executive Chairman of International, said:
"The business has delivered continued growth in mobile and broadband - both in terms of revenue and customers - which provides us with a solid platform to accelerate the transformation of service and brand reputation. International is well positioned for the future, particularly with the recovery plan for Jamaica already underway."

International key performance indicators
As at:

	30 September 2007 ('000)	31 March 2007 ('000)	30 September 2006 ('000)[1]
Total active[2] GSM mobile customers	**5,749**	**5,033**	**4,290**
Subsidiaries	2,989	2,611	2,085
Joint ventures	2,760	2,422	2,205
Total broadband customers	**439**	**401**	**338**
Subsidiaries	414	378	321
Joint ventures	25	23	17
Total fixed line connections	**1,909**	**1,902**	**1,876**
Subsidiaries	1,551	1,531	1,505
Joint ventures	358	371	371

[1] For ease of comparison, September 2006 numbers have been restated to exclude Batelco (Bahrain), disposed of in January 2007
[2] An active customer is defined as one having performed a revenue-generating event in the previous 60 days

Active GSM mobile customers
We had over 5.7 million customers at 30 September 2007 across 26 markets, an increase of 34% compared with 30 September 2006. We are the market leader in all but seven of these markets, three of which were launched in the past 13 months.

Our subsidiaries' mobile customers increased by over 900,000 (43%) in 12 months from 30 September 2006, to almost three million. All our subsidiary businesses grew their customer numbers.

Panama now has over 1.3 million customers, up 65% from a year ago. The installation of new GSM cell sites increased our network coverage and capacity, contributing to a substantial increase in market penetration.

In North Caribbean, growth was largely driven by the launch of services in the British Virgin Islands (BVI) where we have already won 41% market share within four months of launch.

Jamaica's growth of 37% to 600,000 customers resulted from a six percentage point increase in market penetration and a five percentage point increase in market share to 28%, primarily due to the construction of 212 cell sites in the period which has increased our network coverage and improved performance.

Customer numbers in our joint ventures increased 25% to 2.8 million primarily driven by a 67% increase in the customer base in our joint venture in Afghanistan, Roshan. TSTT, our joint venture in Trinidad and Tobago, reported a 15% decline in active customers to 900,000 following a reassessment of our customer base in a market with a population of 1.3 million.

Broadband customers
Our total broadband customers increased by 30% to 439,000 compared with 30 September 2006. We are the retail market leader in all 26 of our broadband markets.

Our subsidiaries' broadband customers increased 29% compared to 30 September 2006 to 414,000. This increase reflects our improving service quality and network coverage, particularly in the Caribbean where customer numbers increased 43% to 180,000.

Broadband customer numbers in our joint ventures increased 47% to 25,000 driven by a strong performance in TSTT where customer numbers increased 31% in the year.

Penetration remains low across our markets, with the average being 23% at 30 September 2007.

Fixed line connections
The total number of fixed line customers increased 2% to 1.9 million at 30 September 2007. We are the market leader in all but one of our 26 fixed line markets (Jersey).

International income statement
For the six months ended:

	30 September 2007 US$m	30 September 2006 US$m	*Change as reported[1] %*
Mobile	436	364	*20%*
Broadband	88	66	*33%*
Domestic voice	272	291	*(7)%*
International voice	142	161	*(12)%*
Enterprise, data and other[2]	273	251	*9%*
Total revenue	**1,211**	**1,133**	***7%***
Cost of sales	(416)	(385)	*(8)%*
Gross margin	**795**	**748**	*6%*
Operating costs (excluding LTIP charge)	(397)	(371)	*(7)%*
EBITDA[3]	**398**	**377**	***6%***
LTIP charge	(18)	(2)	*nm*
Depreciation and amortisation	(135)	(132)	*(2)%*
Net other operating income	6	-	*nm*
Operating profit before joint ventures and associates	**251**	**243**	***3%***
Share of post-tax profit of joint ventures and associates	38	41	*(7)%*
Operating profit	**289**	**284**	***2%***
Exceptional items	6	-	*nm*
Total operating profit	**295**	**284**	***4%***
Capital expenditure	(161)	(141)	*(14)%*
Headcount (full time equivalents at 30 September)	7,860	8,089	*3%*

nm represents % change not meaningful
[1] Positive percentages represent improvement
[2] Includes corporate solutions, international management contracts, internet hosting, leased circuits, legacy data services, directory services, equipment rentals, television services and dial up internet
[3] Earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income and exceptionals

Revenue
Our revenue grew 7% to US$1,211 million in the first half of 2007/08 compared with the same period of 2006/07, our third consecutive half of solid revenue growth. Mobile and broadband contributed an additional US$94 million, now representing 43% of our revenue (up from 38% at the same point last year).

Mobile revenue
Mobile revenue increased 20% to US$436 million and now represents 36% of our total revenue. Mobile revenue grew in all our businesses.

Panama's mobile revenue grew 22% to US$132 million as a result of the substantial increase in the customer numbers to 1.3 million. The increase was a result of improvements to our network coverage, distribution channels and new promotions, ahead of the grant of two additional mobile licences in 2008.

In the North Caribbean, mobile revenue increased 21% to US$51 million largely due to the successful launch of services in the British Virgin Islands (BVI) in June 2007. Almost one quarter of the revenue growth in the region came from non-voice services, such as Blackberry which is now utilised by 14% of our contract customer base.

Islands' mobile revenue grew 34% to US$39 million as a result of the launch of service in Jersey in September 2006 and the Isle of Man in July 2007 and further growth in the Seychelles following our network investment there last year.

We also benefited from the US$5 million reversal of a centrally held accrual relating to prepaid cards.

Broadband revenue
Broadband revenue grew 33% to US$88 million compared with the first half of 2006/07 with growth in all our businesses.

In Panama, revenue increased 31% to US$17 million as a result of expanding our network coverage and implementing a number of promotions including working with a third party to offer subsidised computer packages.

Jamaica's revenue grew 36% to US$15 million primarily as a result of a 48% increase in the customer base due to increased network coverage.

Macau's revenue increased 31% to US$17 million as a result of the launch of a minimum 10 Mbps residential service and 100 Mbps service to businesses which drove a 19% increase in customers.

Domestic and international voice revenue
Domestic voice revenue decreased US$19 million to US$272 million in the first half of 2007/08 compared with the same period of 2006/07. This was largely due to the US$14 million decline in Jamaica's revenue to US$61 million following the poor performance of the domestic voice business, in particular the prepaid fixed line product which we withdrew from the market in July, and a reassessment of the recoverability of certain fixed line revenue.

International voice revenue declined 12% to US$142 million compared to the same period in 2006/07, primarily the result of pressure on international interconnect pricing in Jamaica and the rest of the Caribbean and migration to other products. On the upside, Panama's international voice revenue increased 19% to US$19 million driven by traffic increases as a result of the interconnection of three new voice carriers.

Enterprise, data and other revenue
Enterprise, data and other revenue increased 9% to US$273 million. This increase was a result of continued growth in Monaco's international traffic management contracts, such as those with PTK in Kosovo and Roshan in Afghanistan. Panama's enterprise services benefited from large one-off government contracts worth US$15 million.

Growth was partially offset by a US$9 million decrease in Jamaica due to a reduction in PBX sales and the outsourcing of the directory services business in the second half of 2006/07.

Gross margin
Gross margin increased 6% to US$795 million from US$748 million in the first half of 2006/07 and the gross margin percentage was unchanged at 66%.

Jamaica's gross margin fell by US$27 million due to the adverse revenue movements described previously and subsidies on increased mobile handset sales.

Operating costs
Our operating costs increased 7% in the first half of 2007/08 to US$397 million. Jamaica's operating costs increased by US$5 million, primarily as a result of marketing costs from increased promotional activity and higher call centre and administration costs.

Other increases were primarily due to the launch of our 1 Mbps broadband service in Panama and across the Caribbean. Following the launch of mobile service in Jersey and Isle of Man, Islands' operating costs increased by US$8 million compared to the first half of 2006/07.

EBITDA
As a result of the factors set out above, EBITDA increased 6% to US$398 million in the first half of 2007/08 compared with the same period of 2006/07 with strong results in all our businesses except Jamaica.

The result in Jamaica reflects poor management of promotions and operating costs in an increasingly competitive market. On the positive side, our focus on mobile and broadband has continued to deliver increased customer numbers and revenue. A new CEO for Jamaica has been appointed and we expect EBITDA improvement in the second half compared to the first half of 2007/08.

Our EBITDA margin for the period was 32.9% of revenue, similar to 33.3% EBITDA margin in the first half of 2006/07, but down from the underlying EBITDA margin for the full 2006/07 year of 34.7%, primarily due to Jamaica. Excluding the decline in Jamaica, our EBITDA margin would have been 34.8% and EBITDA would have increased 14%.

Although we expect a better performance from Jamaica in the second half of 2007/08, we have reduced our dollar guidance from US$840 million and US$860 million to between US$820 million and US$840 million. Taken at its mid-point, we now expect EBITDA growth of 9% in the second half over the first half of 2007/08. We continue to expect our EBITDA margin to be between 35% and 37% of revenue by 2008/09.

Exceptional items
Net exceptional income of US$6 million in the first half of 2007/08 consists of a net gain before taxation of US$27 million resulting from the repatriation of cash from the Seychelles, offset by a US$21 million charge for legal fees.

Capital expenditure and depreciation and amortisation
Capital expenditure increased 14% to US$161 million in the first half of 2007/08. This represents 13% of revenue.

We invested over 70% of our capital expenditure in mobile and broadband expansion – we launched 3G services in Macau and expanded our mobile and broadband networks in Panama, Monaco and the Caribbean. We extended our submarine cable network laying a cable into Bermuda from the US, and increased our network capacity and resilience across the Caribbean.

Depreciation and amortisation increased 2% to US$135 million as a result of the increased capital expenditure.

Joint ventures and associates – our share

	Effective ownership	Revenue		Post-tax profit	
	As at 30 September 2007	For 6 months ended 30 September 2007	For 6 months ended 30 September 2006	For 6 months ended 30 September 2007	For 6 months ended 30 September 2006
	%	US$m	US$m	US$m	US$m
Trinidad & Tobago (TSTT)	*49*	102	118	19	0
Afghanistan (Roshan)	*37*	40	38	4	3
The Maldives (Dhiraagu)	*45*	25	22	11	12
Fiji (Fintel)	*49*	7	8	2	2
Others		7	6	2	1
Total excluding Bahrain		**181**	**192**	**38**	**18**
Bahrain (Batelco)[1]	-	-	62	-	23
Total		**181**	**254**	**38**	**41**

[1] Disposed of in January 2007

Our share of post tax profit from our joint ventures and associates decreased from US$41 million to US$38 million in the six months to 30 September 2007 driven by the disposal of our associate in Bahrain (Batelco) in January 2007. Excluding Batelco, our share of post-tax profits more than doubled, principally driven by improved performance in Trinidad & Tobago (TSTT).

Our share of post-tax profit in TSTT was US$19 million in the first half of 2007/08 compared with nil in the same period of the prior year.

Reconciliation of International EBITDA to net cash flow before financing

	For the six months ended 30 September 2007[1] US$m
EBITDA[2]	398
Exceptional items	6
EBITDA less exceptionals	**404**
Movement in exceptional provisions	15
Movement in working capital and other provisions	(21)
Income taxes paid	(29)
Purchase of property, plant, equipment and intangible assets	(169)
Investment income	19
Acquisitions and disposals	(10)
Other income	6
Net cash inflow before financing activities	**215**

[1] Based on internal management accounts
[2] Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income

We generated net cash flow of US$215 million before financing activities in the first half of 2007/08.

Movement in working capital and other provisions of US$21 million was primarily a result of our strong revenue growth, particularly in Panama. In Barbados, timing differences resulted in an outflow which will reverse in the second half. We maintain our guidance of flat movement in working capital by 2008/09.

Investment income of US$19 million consists mainly of US$12 million of dividends from our joint ventures and US$6 million of interest income.

Acquisitions and disposals of US$10 million largely consists of US$13 million outflow relating to the acquisition of an additional 17% equity stake in our East Caribbean St Kitts business.

Other income of US$6 million is made up of insurance receipts relating to Hurricane Ivan, offset by costs associated with Hurricane Dean.

We remitted US$106 million to Central, including the repatriation of cash from the Seychelles, US$12 million of dividends from our joint ventures and the provision of US$22 million funding to Jamaica. This represents 88% of our share of net cash flow after external financing costs, but we expect to reach the target of 100% repatriation of our share of net cash flow after external financing costs for the full year.

EUROPE, ASIA & US

Cable & Wireless Europe, Asia & US provides high quality IP-based services to the largest users of telecoms services across the UK, the rest of Europe, Asia and the USA. Our strategy is to provide services tailored to customers' specific business needs and with a superior level of service.

Following the successful integration of C&W Access into the main enterprise business, the following analysis of the Europe, Asia & US key performance indicators, income statement and cash flow reconciliation includes C&W Access, and historic comparatives have been restated accordingly.

Commenting on the results for the six months ended 30 September 2007, John Pluthero, Executive Chairman of Europe, Asia & US said:
"Our business continues to improve. Better sales, better service and a reducing cost base are all good symptoms at this stage, especially as there is more to come in all those areas. We remain focused on the task at hand but excited about the future."

Europe, Asia & US key performance indicators

As at:	30 September 2007	31 March 2007	30 September 2006
Number of customers	6,902	9,993	14,567
% IP, data and hosting revenue (excluding Allnet and WTG) [1]	37%	34%	28%
Gross margin % [1]	41%	38%	35%
Operating costs as a percentage of revenue [1]	31%	33%	33%
EBITDA margin % [1]	10%	6%	2%

[1] Calculated on the basis of six months ended

We are continuing with our programme to reduce customer numbers towards our target of around 3,000 customers, and now have fewer than 7,000, comprising large corporates, resellers, carriers and public institutions.

IP, data and hosting proportion of revenue has increased to 37% from 30% in the same period last year. This is driven by growth from new and existing customers and from customers migrating from legacy products to IP, data and hosting services. In February 2007, we disposed of our web design business (WTG) and in April 2007, we disposed of our non-core structured cabling business (Allnet). Excluding these from the comparatives would mean that IP, data and hosting revenue as a proportion of total revenue has increased to 37% from 28%.

Gross margin as a percentage of revenue has increased to 41% for the first half of 2007/08 from 35% in the first half of 2006/07. For further details, refer to the gross margin section on page 20.

Operating costs as a percentage of revenue have decreased to 31% for the first half of 2007/08 from 33% in the equivalent period in 2006/07. For further details, refer to the operating costs section on pages 20 and 21.

EBITDA margin has increased to 10% in the six months ended 30 September 2007, compared to 2% in the equivalent period in 2006. For further details, refer to the EBITDA section on page 21.

Europe, Asia & US income statement
For the six months ended:

	30 September 2007 £m	30 September 2006 £m	*Change as reported[1] %*
IP, data and hosting	351	334	*5%*
Legacy products	48	104	*(54)%*
Traditional voice	549	640	*(14)%*
LLU	13	29	*(55)%*
Total revenue	**961**	**1,107**	***(13)%***
Cost of sales	(563)	(715)	*21%*
Gross margin	398	392	*2%*
Operating costs (excluding LTIP charge)	(299)	(368)	*19%*
EBITDA[2]	**99**	**24**	***nm***
LTIP charge	(21)	(4)	*nm*
Depreciation and amortisation	(69)	(57)	*(21)%*
Net other operating income	-	9	*nm*
Operating profit before joint ventures and associates	**9**	**(28)**	***nm***
Share of post-tax loss of joint ventures and associates	(1)	(1)	*0%*
Operating profit	**8**	**(29)**	***nm***
Exceptional items	42	(30)	*nm*
Total operating profit	**50**	**(59)**	***nm***
Capital expenditure	(93)	(97)	*4%*
Headcount (full time equivalents at 30 September)	5,343	5,557	*4%*

nm represents % change not meaningful
[1] Positive percentages represent improvement
[2] Earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income and exceptionals

Revenue
Revenue in the first half of 2007/08 is £961 million compared with £1,107 million in the equivalent period of 2006/07. The result reflects the strategy of Europe, Asia & US to focus on serving larger customers with higher margin IP services, whilst actively removing lower margin customers. We expect that revenue will increase in the six months to 31 March 2008 to approximately £1 billion, as large contracts are provisioned.

IP, data and hosting
IP, data and hosting products underpin our strategy – enabling us to offer our customers high quality global connectivity and market-leading services and applications, with the ability to converge onto a single platform.

IP, data and hosting revenue of £351 million in the first half of 2007/08 has increased by 5%, despite the disposal of our web design business in February 2007 and our structured cabling business in April 2007, which together contributed £31 million of revenue in the first half of 2006/07. The underlying revenue growth of this product set is therefore 16%. IP, data & hosting now contributes 37% of total revenue compared with 30% in the first half of 2006/07.

Legacy products
Revenue from our legacy products has reduced from £104 million to £48 million over the last 12 months and now represents only 5% of revenue. Around half of the decline was driven by a fall in dial-up internet services. This reduction, and the decline in ATM and frame relay, was expected as customers choose to migrate to more advanced propositions, such as IP-VPN.

Traditional voice
Traditional voice revenue has declined by 14%, from £640 million in the first half of 2006/07 to £549 million in the first half of 2007/08. This result reflects our move away from unprofitable routes and low margin traffic during 2006/07. Voice revenue stabilised in the first half of 2007/08 compared to the second half of 2006/07 and will grow modestly as we complete our network optimisation programme.

LLU
LLU revenue has more than halved compared with the first half of 2006/07, from £29 million to £13 million. This is due to the change in our C&W Access strategy from retail to wholesale, executed from the second half of 2006/07. We have received our first corporate SDSL orders in the first half of 2007/08.

Gross margin
Gross margin has increased £6 million to £398 million. The gross margin percentage of revenue has increased from 35% to 41%, which reflects the gradual change in our product mix towards IP, data and hosting, and activities to reduce cost of sales.

We are reducing cost of sales through ongoing programmes relating to supplier renegotiations, route optimisation and a review of our circuit inventory. To date, these savings have been small relative to the gross margin improvement driven by the more favourable product mix.

Gross margin represents revenue minus the costs directly attributed to the generation of that revenue. Cost of sales includes circuit rentals, the procurement of hardware and software, and outpayments to other operators.

Operating costs
Operating costs have reduced by £69 million compared with the first half of 2006/07 to £299 million. This reduction represents an improvement of 19% compared with the same period last year, and represents 31% of revenue, an improvement of two percentage points.

The reduced operating costs reflect the success of our recovery programme. We delivered cost savings through renegotiating network maintenance contracts, driving efficiencies in support functions, and, to a lesser extent, off-shoring non customer-facing roles. These savings enabled us to reinvest in colleagues and our network to improve service further still.

Further reductions resulted from the move to a wholesale strategy in the C&W Access business in 2006/07, the subsequent integration of C&W Access into the main enterprise business, and the disposal of our structured cabling (Allnet) and web design (WTG) businesses.

Operating costs in the first half of 2007/08 include a £7 million net credit relating to our defined benefit pension scheme, compared with a £2 million net charge for the same period last year.

EBITDA

EBITDA before exceptionals has quadrupled from £24 million to £99 million – and as a percentage of revenue EBITDA has improved from 2% to 10%.

In the light of our improving trading performance and a £15 million full year estimated net pension credit for 2007/08, we now anticipate that our EBITDA for the full year 2007/08 will be between £205 million and £215 million. At the mid point of the range, this represents a £35 million improvement from our previous EBITDA guidance (between £165 million and £185 million) for the full year 2007/08.

Capital expenditure and depreciation and amortisation

Capital expenditure of £93 million is £4 million lower than the first half of 2006/07 and represents 10% of revenue.

The mix of investment has changed with 44% of the total capital expenditure being customer-specific, compared with 30% for the same period last year. The increase relates to the investment in equipment to deliver recently won long-term IP, data and hosting contracts. With the LLU roll-out complete, we are investing in the development of our access proposition to enable us to exploit our unbundled network.

Depreciation and amortisation is £69 million for the first half of 2007/08 compared with £57 million for the same period last year. This increase reflects the recent level of capital expenditure.

Exceptional items

Net exceptional income for the first half of 2007/08 was £42 million, which represents £53 million profit on the sale and leaseback of nine properties, and £11 million expense relating to restructuring costs including staff redundancies and property costs.

Reconciliation of Europe, Asia & US EBITDA to net cash flow before financing

	For the six months ended 30 September 2007[1] £m
EBITDA[2]	99
Exceptional items	(11)
EBITDA less exceptionals	**88**
Movement in exceptional provisions	(21)
Movement in working capital and other provisions	(68)
Income taxes paid	0
Purchase of property, plant, equipment and intangible assets	(104)
Other income	(5)
Net cash outflow before financing activities and acquisitions and disposals	**(110)**
Acquisitions and disposals	92
Net cash outflow before financing activities	**(18)**

[1] Based on internal management accounts
[2] Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income

Cash outflow of £18 million for the first half of the year includes £88 million inflow from the sale and leaseback transaction of nine properties.

Exceptional items of £11 million and movement in provisions of £21 million are largely attributable to restructuring costs including redundancies and property costs.

The working capital movement of £68 million for the first half of 2007/08 is high as a result of the usual in-year timing of receipts and payments, which have an adverse impact in the first half of the year and correct during the second half. This includes the timing of the full year bonus payments to colleagues, paying down some legacy liabilities, and the short-term impact of outsourcing transactional roles.

Cash capital expenditure of £104 million reflects a mix of investments in both customer and infrastructure projects.

The £110 million net cash flow before financing and acquisitions and disposals represents the cash flow for the combined business following the integration of C&W Access into the main Europe, Asia & US business. As far as the two elements are separately identifiable, the amount relating to the Europe, Asia & US enterprise business was approximately £80 million and the remaining £30 million relates to C&W Access.

Acquisitions and disposals predominantly relate to the sale and leaseback transaction completed on 2 April 2007 for £88 million.

Based on our performance year to date, we expect a net cash outflow of about £140 million for the full year 2007/08, excluding the £88 million cash from the sale and leaseback transaction. This is a £10 million improvement on previous guidance for 2007/08 and we now expect the Europe, Asia & US business (excluding C&W Access) will be cash flow positive in the second half of 2007/08.

We still expect total cash outflow from 1 April 2006 for the Europe, Asia & US business (excluding C&W Access) before it becomes cash generative to be no more than £280 million (excluding the £88 million from the sale and leaseback transaction).

GROUP RESULTS DETAIL

Six months ended 30 September 2007 compared with six months ended 30 September 2006

£m	*For 6 months ended 30 September 2007 (H1 07/08)*				*For 6 months ended 30 September 2006 (H1 06/07)*				*CC change[1] (%)*			
	International	**Europe, Asia & US**	**Central[2]**	**Group Total**	**International**	**Europe, Asia & US**	**Central**	**Group Total**	**International**	**Europe, Asia & US**	**Central**	**Group Total**
Revenue	608	961	(6)	1,563	620	1,107	(9)	1,718	*7%*	*(13)%*	*33%*	*(6)%*
Cost of sales	(209)	(563)	6	(766)	(211)	(715)	9	(917)	*(8)*	*21%*	*(33)%*	*15%*
Gross margin	399	398	-	797	409	392	-	801	*6%*	*2%*	*nm*	*4%*
Operating costs	(199)	(299)	(15)	(513)	(203)	(368)	(9)	(580)	*(7)%*	*18%*	*nm*	*9%*
EBITDA[3]	**200**	**99**	**(15)**	**284**	**206**	**24**	**(9)**	**221**	***6%***	***nm***	***(67)%***	***40%***
LTIP charge	(9)	(21)	-	(30)	(1)	(4)	-	(5)	nm	nm	nm	nm
Depreciation & amortisation	(68)	(69)	-	(137)	(73)	(57)	-	(130)	*(1)%*	*(21)%*	*nm*	*(10)%*
Net other operating income	3	-	-	3	-	9	-	9	*nm*	*nm*	*nm*	*(44)%*
Operating profit/(loss) before JVs & associates[4]	**126**	**9**	**(15)**	**120**	**132**	**(28)**	**(9)**	**95**	***5%***	***nm***	***(67)%***	***45%***
Joint ventures & associates	19	(1)	-	18	22	(1)	-	21	*(14)%*	*0%*	*nm*	*(14)%*
Total operating profit/(loss)[4]	**145**	**8**	**(15)**	**138**	**154**	**(29)**	**(9)**	**116**	***2%***	***nm***	***(67)%***	***33%***
Exceptional items	3	42	-	45	-	(30)	(1)	(31)	*nm*	*nm*	*nm*	*nm*
Total operating profit/(loss)	**148**	**50**	**(15)**	**183**	**154**	**(59)**	**(10)**	**85**	***4%***	***nm***	***(50)%***	***nm***
Capital expenditure	(80)	(93)	-	(173)	(77)	(97)	-	(174)	*(14)%*	*4%*	*nm*	*(4)%*
Headcount[5]	7,860	5,343	86	13,289	8,089	5,557	90	13,736	*3%*	*4%*	*4%*	*3%*

nm represents % change not meaningful

[1] Constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates. Positive percentages represent improvement

[2] "Central" comprises the corporate centre and intra-group eliminations between the businesses

[3] Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income

[4] Excluding exceptionals

[5] Full time equivalents as at 30 September

INTERNATIONAL RESULTS DETAIL

Six months ended 30 September 2007 compared with six months ended 30 September 2006

US$m	Jamaica			Barbados			North Caribbean			East Caribbean			Panama		
	H1 07/08	H1 06/07	Change as reported	H1 07/08	H1 06/07	Change as reported	H1 07/08	H1 06/07	Change as reported	H1 07/08	H1 06/07	Change as reported	H1 07/08	H1 06/07	Change as reported
Mobile	46	42	*10%*	35	29	*21%*	51	42	*21%*	50	43	*16%*	132	108	*22%*
Broadband	15	11	*36%*	8	5	*60%*	10	8	*25%*	11	9	*22%*	17	13	*31%*
Domestic voice	61	75	*(19)%*	23	22	*5%*	26	28	*(7)%*	29	31	*(6)%*	89	93	*(4)%*
International voice	26	35	*(26)%*	15	18	*(17)%*	13	18	*(28)%*	23	29	*(21)%*	19	16	*19%*
Enterprise, data & other	16	25	*(36)%*	16	17	*(6)%*	16	18	*(11)%*	20	22	*(9)%*	53	36	*47%*
Revenue	**164**	**188**	***(13)%***	**97**	**91**	***7%***	**116**	**114**	***2%***	**133**	**134**	***(1)%***	**310**	**266**	***17%***
Cost of sales	(72)	(69)	*(4)%*	(21)	(23)	*9%*	(29)	(28)	*(4)%*	(38)	(39)	*3%*	(110)	(98)	*(12)%*
Gross margin	**92**	**119**	***(23)%***	**76**	**68**	***12%***	**87**	**86**	***1%***	**95**	**95**	***0%***	**200**	**168**	***19%***
Operating costs	(72)	(67)	*(7)%*	(36)	(30)	*(20)%*	(46)	(45)	*(2)%*	(59)	(62)	*5%*	(72)	(66)	*(9)%*
EBITDA[1]	**20**	**52**	***(62)%***	**40**	**38**	***5%***	**41**	**41**	***0%***	**36**	**33**	***9%***	**128**	**102**	***25%***
LTIP charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & amortisation	(17)	(19)	*11%*	(10)	(8)	*(25)%*	(11)	(10)	*(10)%*	(13)	(16)	*19%*	(38)	(37)	*(3)%*
Net other operating income	(1)	-	*nm*	-	-	-	5	-	*nm*	-	-	-	1	-	*nm*
Op profit before JVs & associates[2]	**2**	**33**	***(94)%***	**30**	**30**	***0%***	**35**	**31**	***13%***	**23**	**17**	***35%***	**91**	**65**	***40%***
Joint ventures & associates	-	-	-	-	-	-	19	-	*nm*	-	-	-	-	-	-
Total operating profit[2]	**2**	**33**	***(94)%***	**30**	**30**	***0%***	**54**	**31**	***74%***	**23**	**17**	***35%***	**91**	**65**	***40%***
Exceptional items	-	-	-	-	-	-	-	2	*nm*	-	-	-	-	-	-
Total operating profit	**2**	**33**	***(94)%***	**30**	**30**	***0%***	**54**	**33**	***64%***	**23**	**17**	***35%***	**91**	**65**	***40%***
Capital expenditure	(42)	(25)	*(68)%*	(9)	(8)	*(13)%*	(11)	(9)	*(22)%*	(13)	(14)	*7%*	(31)	(40)	*23%*
Headcount[3]	1,302	1,484	*12%*	817	821	*0%*	548	566	*3%*	995	1,048	*5%*	1,893	1,852	*(2)%*

nm represents % change not meaningful

[1] Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income

[2] Excluding exceptionals

[3] Full time equivalents as at 30 September

INTERNATIONAL RESULTS DETAIL (CONTINUED)

Six months ended 30 September 2007 compared with six months ended 30 September 2006

US$m	Macau			Monaco			Islands[1]			Elims/ head office			Total		
	H1 07/08	**H1 06/07**	**Change as reported**	**H1 07/08**	**H1 06/07**	**Change as reported**	**H1 07/08**	**H1 06/07**	**Change as reported**	**H1 07/08**	**H1 06/07**	**Change as reported**	**H1 07/08**	**H1 06/07**	**Change as reported**
Mobile	51	49	*4%*	27	22	*23%*	39	29	*34%*	5	-	*nm*	436	364	*20%*
Broadband	17	13	*31%*	4	3	*33%*	6	4	*50%*	-	-	-	88	66	*33%*
Domestic voice	17	16	*6%*	10	9	*11%*	17	17	*0%*	-	-	-	272	291	*(7)%*
International voice	28	28	*0%*	8	8	*0%*	19	19	*0%*	(9)	(10)	*10%*	142	161	*(12)%*
Enterprise, data & other	24	24	*0%*	94	81	*16%*	35	29	*21%*	(1)	(1)	*0%*	273	251	*9%*
Revenue	**137**	**130**	***5%***	**143**	**123**	***16%***	**116**	**98**	***18%***	**(5)**	**(11)**	***55%***	**1,211**	**1,133**	***7%***
Cost of sales	(52)	(57)	*9%*	(78)	(64)	*(22)%*	(25)	(18)	*(39)%*	9	11	*(18)%*	(416)	(385)	*(8)%*
Gross margin	**85**	**73**	***16%***	**65**	**59**	***10%***	**91**	**80**	***14%***	**4**	**-**	***nm***	**795**	**748**	***6%***
Operating costs	(27)	(24)	*(13)%*	(36)	(32)	*(13)%*	(53)	(45)	*(18)%*	4	-	*nm*	(397)	(371)	*(7)%*
EBITDA[2]	**58**	**49**	***18%***	**29**	**27**	***7%***	**38**	**35**	***9%***	**8**	**-**	***nm***	**398**	**377**	***6%***
LTIP charges	-	-	-	-	-	-	-	-	-	(18)	(2)	*nm*	(18)	(2)	*nm*
Depreciation & amortisation	(17)	(14)	*(21)%*	(14)	(12)	*(17)%*	(12)	(15)	*20%*	(3)	(1)	*nm*	(135)	(132)	*(2)%*
Net other operating income	-	-	-	-	-	-	-	-	-	1	-	*nm*	6	-	*nm*
Op profit/(loss) before JVs & associates[3]	**41**	**35**	***17%***	**15**	**15**	***0%***	**26**	**20**	***30%***	**(12)**	**(3)**	***nm***	**251**	**243**	***3%***
Joint ventures & associates	-	-	-	4	3	*33%*	15	38	*(61)%*	-	-	-	38	41	*(7)%*
Total operating profit/(loss)[3]	**41**	**35**	***17%***	**19**	**18**	***6%***	**41**	**58**	***(29)%***	**(12)**	**(3)**	**-**	**289**	**284**	***2%***
Exceptional items	-	-	-	-	-	-	-	-	-	6	(2)	*nm*	6	-	*nm*
Total operating profit/(loss)	**41**	**35**	***17%***	**19**	**18**	***6%***	**41**	**58**	***(29)%***	**(6)**	**(5)**	***(20)%***	**295**	**284**	***4%***
Capital expenditure	(21)	(10)	*nm*	(7)	(4)	*(75)%*	(20)	(12)	*(67)%*	(7)	(19)	*63%*	(161)	(141)	*(14)%*
Headcount[4]	927	933	*1%*	502	501	*(0)%*	673	685	*2%*	203	199	*(2)%*	7,860	8,089	*3%*

nm represents % change not meaningful

[1] Islands comprises operations in the Channel Islands, Isle of Man, the Middle East and the Atlantic, Pacific and Indian Oceans

[2] Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income

[3] Excluding exceptionals

[4] Full time equivalents as at 30 September

INTERNATIONAL RESULTS DETAIL (CONTINUED)

	GSM ACTIVE MOBILE CUSTOMERS ('000s)			BROADBAND CUSTOMERS ('000s)			FIXED LINE CUSTOMERS ('000s)		
	As at 30 September 2007	**As at 30 September 2006**	**% Change**	**As at 30 September 2007**	**As at 30 September 2006**	**% Change**	**As at 30 September 2007**	**As at 30 September 2006**	**% Change**
Jamaica	600	439	37%	86	58	48%	371	327	13%
Barbados	165	137	20%	32	22	45%	134	134	0%
North Caribbean	138	96	44%	20	17	18%	60	60	0%
East Caribbean	345	263	31%	42	29	45%	170	169	1%
Caribbean	**1,248**	**935**	**33%**	**180**	**126**	**43%**	**735**	**690**	**7%**
Panama	1,304	789	65%	95	78	22%	427	432	(1)%
Macau	281	236	19%	112	94	19%	179	176	2%
Monaco	38	35	9%	12	10	20%	34	34	0%
Islands	118	90	31%	15	13	15%	176	173	2%
Cable & Wireless subsidiaries	**2,989**	**2,085**	**43%**	**414**	**321**	**29%**	**1,551**	**1,505**	**3%**
TSTT	900	1,055	(15)%	17	13	31%	310	325	(5)%
Roshan	1,617	966	67%	-	-	nm	-	-	nm
Dhiraagu	206	160	29%	6	3	100%	32	31	3%
Solomon Telekom	13	7	86%	1	1	0%	9	8	13%
Telekom Vanuatu	24	17	41%	1	-	nm	7	7	0%
Cable & Wireless joint ventures & associates	**2,760**	**2,205**	**25%**	**25**	**17**	**47%**	**358**	**371**	**(4)%**
Total Cable & Wireless International	**5,749**	**4,290**	**34%**	**439**	**338**	**30%**	**1,909**	**1,876**	**2%**

nm represents % change not meaningful

For ease of comparison joint ventures & associates numbers for 30 September 2006 have been restated to exclude Batelco (Bahrain) following its disposal in January 2007

HALF YEAR FINANCIAL REPORT
Condensed consolidated interim income statement

	For the six months ended 30 September 2007			For the six months ended 30 September 2006		
	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Revenue	**1,563**	**-**	**1,563**	1,718	-	1,718
Operating costs before depreciation and amortisation	**(1,309)**	**(8)**	**(1,317)**	(1,502)	(22)	(1,524)
Depreciation	**(116)**	**-**	**(116)**	(109)	-	(109)
Amortisation	**(21)**	**-**	**(21)**	(21)	-	(21)
Other operating income	**5**	**53**	**58**	9	1	10
Other operating expenses	**(2)**	**-**	**(2)**	-	(10)	(10)
Group operating profit/(loss)	**120**	**45**	**165**	95	(31)	64
Share of post-tax profit of associates and joint ventures	**18**	**-**	**18**	21	-	21
Total operating profit/(loss)	**138**	**45**	**183**	116	(31)	85
Gains and losses on sale of non-current assets	**2**	**-**	**2**	-	-	-
Gain on termination of operations	**3**	**-**	**3**	-	10	10
Finance income	**32**	**-**	**32**	24	-	24
Finance expense	**(44)**	**(10)**	**(54)**	(40)	-	(40)
Profit/(loss) before income tax	**131**	**35**	**166**	100	(21)	79
Income tax expense	**(29)**	**(5)**	**(34)**	(24)	-	(24)
Profit/(loss) for the period from continuing operations	**102**	**30**	**132**	76	(21)	55
Discontinued operations						
Profit for the period from discontinued operations	**2**	**-**	**2**	-	3	3
Profit/(loss) for the period	**104**	**30**	**134**	76	(18)	58
Attributable to:						
Equity holders of the Company	**74**	**30**	**104**	49	(18)	31
Minority interest	**30**	**-**	**30**	27	-	27
	104	**30**	**134**	76	(18)	58
Earnings per share attributable to the equity holders of the Company during the period (pence per share)						
– basic			**4.3p**			1.3p
– diluted			**4.2p**			1.3p
Earnings per share from continuing operations attributable to the equity holders of the Company during the period (pence per share)						
– basic			**4.2p**			1.2p
– diluted			**4.1p**			1.2p
Earnings per share from discontinued operations attributable to the equity holders of the Company during the period (pence per share)						
– basic			**0.1p**			0.1p
– diluted			**0.1p**			0.1p

The notes on pages 32 to 37 are an integral part of these financial statements
Further detail on exceptional items is set out in note 7

Condensed consolidated interim balance sheet

	30 September 2007 £m	31 March 2007 £m	30 September 2006 £m
ASSETS			
Non-current assets			
Intangible assets	805	745	708
Property, plant and equipment	1,463	1,465	1,439
Investments in associates and joint ventures	129	117	163
Available for sale financial assets	16	15	15
Deferred tax asset	30	28	19
Retirement benefit asset	242	75	35
Other receivables	56	62	47
Other non-current assets	-	11	10
	2,741	**2,518**	**2,436**
Current assets			
Inventories	19	23	32
Financial assets at fair value through the income statement	-	-	38
Trade and other receivables	971	855	928
Cash and cash equivalents	757	1,043	774
	1,747	**1,921**	**1,772**
Assets held for sale	6	52	101
	1,753	**1,973**	**1,873**
Total assets	**4,494**	**4,491**	**4,309**
LIABILITIES			
Current liabilities			
Trade and other payables	1,285	1,221	1,277
Financial liabilities at fair value through the income statement	74	60	-
Current tax liabilities	140	122	133
Loans and obligations under finance leases	46	77	73
Provisions	51	72	59
	1,596	**1,552**	**1,542**
Liabilities associated with assets held for sale	-	10	**-**
	1,596	**1,562**	**1,542**
Net current assets	**157**	**411**	**331**
Non-current liabilities			
Trade and other payables	75	65	6
Financial liabilities at fair value through the income statement	93	75	102
Loans and obligations under finance leases	412	639	625
Deferred tax liabilities	47	59	43
Provisions	164	154	170
Retirement benefit obligations	47	47	133
	838	**1,039**	**1,079**
Net assets	**2,060**	**1,890**	**1,688**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	630	615	612
Share premium	139	56	44
Reserves	1,092	1,010	825
	1,861	**1,681**	**1,481**
Minority interest	199	209	207
Total equity	**2,060**	**1,890**	**1,688**

The notes on pages 32 to 37 are an integral part of these financial statements

Condensed consolidated interim statement of recognised income and expense

	For the six months ended 30 September 2007 £m	For the six months ended 30 September 2006 £m
Fair value loss on available for sale financial assets	-	(1)
Actuarial gains/(losses) in the value of defined benefit retirement plans	150	(5)
Exchange differences on translation of foreign operations	(36)	(119)
Net income and expense recognised directly in equity	114	(125)
Profit for the period	134	58
Total recognised income and expense for the period	**248**	**(67)**
Attributable to:		
Equity holders of the Company	225	(71)
Minority interests	23	4
	248	**(67)**

The notes on pages 32 to 37 are an integral part of these financial statements

Condensed consolidated interim cash flow statement

	For the six months ended 30 September 2007 £m	For the six months ended 30 September 2006 £m
Cash flows from operating activities		
Cash generated from continuing operations	184	57
Cash generated from discontinued operations	-	-
Income taxes paid	(15)	(22)
Net cash from operating activities	**169**	**35**
Cash flows from investing activities		
Finance income	26	24
Other income	-	10
Dividends received	6	20
Proceeds on disposal of assets held for sale	92	-
Proceeds on disposal of property, plant and equipment	2	15
Purchase of property, plant and equipment	(173)	(157)
Purchase of intangible assets	(16)	(30)
Acquisition of associates and joint ventures	-	(1)
Acquisition of subsidiaries (net of cash received)	(13)	(8)
Net cash from investing activities - continuing operations	**(76)**	**(127)**
Discontinued operations	**-**	**-**
Net cash flow before financing activities	**93**	**(92)**
Cash flows from financing activities		
Continuing operations		
Dividends paid to minority interests	(30)	(74)
Dividends paid to shareholders	(95)	(50)
Repayments of borrowings	(247)	(133)
Interest paid	(25)	(30)
Proceeds from borrowings	12	37
Proceeds on issue of treasury shares	5	-
Purchase of treasury shares	(2)	-
Proceeds on issue of ordinary share capital	5	5
Net cash used in financing activities – continuing operations	(377)	(245)
Discontinued operations	**-**	**-**
Net cash used in financing activities	**(377)**	**(245)**
Net decrease in cash and cash equivalents	**(284)**	**(337)**
Cash and cash equivalents at the beginning of the period	1,043	1,127
Exchange gains and losses on cash and cash equivalents	(2)	(16)
Cash and cash equivalents at the end of the period	**757**	**774**

The notes on pages 32 to 37 are an integral part of these financial statements

Reconciliation of net profit to net cash flow from operating activities

	For the six months ended 30 September 2007 £m	For the six months ended 30 September 2006 £m
Continuing operations		
Profit for the year	**132**	**55**
Adjustments for:		
Tax expense	34	24
Depreciation	116	109
Amortisation	21	21
Other income	-	(1)
Gain on disposal of property, plant and equipment	(53)	(9)
Gain on termination of operations	-	(10)
Gain on sale of non-current assets	(1)	-
Net loss on sale of Bulldog brand and retail broadband customer base	-	10
Finance income	(32)	(24)
Finance expense	54	40
Decrease in provisions	(10)	(50)
Share-based payments	10	11
Defined benefit pension scheme credit	(11)	(3)
LTIP charge	30	5
Defined benefit pension scheme other contributions	(6)	(6)
Share of results after tax of associates and joint ventures	(18)	(21)
Operating cash flows before working capital changes	**266**	**151**
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)		
Decrease/(increase) in inventories	4	(1)
(Increase)/decrease in trade and other receivables	(110)	3
Increase/(decrease) in payables	19	(96)
Decrease in other assets	5	-
Cash generated from continuing operations	**184**	**57**
Discontinued operations		
Net profit	**2**	**3**
Adjustments for:		
Decrease in provisions	(2)	(3)
Cash generated from discontinued operations	**-**	**-**
Cash generated from operations	**184**	**57**

Notes to the condensed financial statements

1. Reporting entity

Cable and Wireless plc (the Company) is a company domiciled in the UK. The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 September 2007 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates and joint venture entities.

The consolidated financial statements of the Group as at and for the year ended 31 March 2007 are available upon request from the Company's registered office at 7th Floor, The Point, 37 North Wharf Road, London, W2 1LA or at www.cw.com.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2007.

The comparative figures for the financial year ended 31 March 2007 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The condensed consolidated interim financial statements were approved by the Board of Directors on 12 November 2007.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2007.

Income tax expense in the interim period is based on our best estimate of the weighted-average annual income tax rate expected for the full financial year.

4. Seasonality and cyclicality

Working capital in the Europe, Asia & US business is historically better in the second half of the financial year than the first. Other than this, there is no significant seasonality or cyclicality affecting the interim result of the operations.

5. Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2007.

6. Segment information

Cable & Wireless is one of the world's leading communications companies. During the six months ended 30 September 2007, Cable & Wireless operated two primary business segments; International and Europe, Asia & US. During the period, the operations of C&W Access were integrated into the Europe, Asia & US business segment. As a result, these two businesses are now reported as a single segment.

The International business operates full service telecommunications companies in 33 countries offering mobile, broadband, domestic and international fixed line services to residential and business customers. It has principal operations in the Caribbean, Panama, Macau, Monaco and the Channel Islands.

The Europe, Asia & US business provides high quality IP-based services to the largest users of telecoms services across the UK, the rest of Europe, Asia and the USA. This business includes C&W Access which provides wholesale broadband and telephony services to commercial and residential end users through wholesale agreements in the UK.

Continuing operations
The business segment results for the six months ended 30 September 2007 are presented below:

£m	International	Europe, Asia & US	Other and eliminations	Total
Revenue	608	961	(6)	1,563
Pre-exceptional operating costs	(482)	(952)	(9)	(1,443)
Exceptional operating items	3	42	-	45
Operating profit	129	51	(15)	165
Share of post-tax profit of associates and joint ventures	19	(1)	-	18
Total operating profit	148	50	(15)	183
Other income				5
Net finance expense				(22)
Profit before income tax				166
Tax				(34)
Profit for the period from continuing operations				132

The business segment results for the six months ended 30 September 2006 are presented below:

£m	International	Europe, Asia & US	Other and eliminations	Total
Revenue	620	1,107	(9)	1,718
Pre-exceptional operating costs	(488)	(1,135)	-	(1,623)
Exceptional operating costs	-	(30)	(1)	(31)
Operating profit	132	(58)	(10)	64
Share of post-tax profit of associates and joint ventures	22	(1)	-	21
Total operating profit	154	(59)	(10)	85
Other income				10
Net finance expense				(16)
Profit before income tax				79
Tax				(24)
Profit for the period from continuing operations				55

7. Exceptional items
The following exceptional items were recognised in the period:

Description	Note	Amount £m	Segment
Exceptional items within operating profit			
Profit on sale and leaseback of properties	(i)	53	Europe, Asia & US
Gain on Seychelles cash repatriation	(ii)	14	International
Restructuring charges	(iii)	(11)	Europe, Asia & US
Charge for legal fees	(iv)	(11)	International
Exceptional items below operating profit			
Loss on repurchasing convertible bond	(v)	(10)	Other and eliminations
Tax charge on Seychelles cash repatriation	(ii)	(5)	International
Total exceptional items		30	

(i) A sale and leaseback transaction was completed for nine freehold properties in Europe, Asia & US in April 2007. The disposal of the properties for £88 million resulted in a profit of £53 million.

(ii) We successfully concluded a transaction enabling us to repatriate £24 million that had previously been blocked in the Seychelles due to exchange controls. As a result, International recorded a net gain before taxation of £14 million after accounting for the release of provisions held against these funds. As a consequence of this transaction, there was a £5 million exceptional tax charge.

(iii) Restructuring costs of £11 million were recognised during the period as part of the Europe, Asia & US turnaround programme.

(iv) In July 2007, we received a claim from our Caribbean competitor, Digicel, which we believe is without foundation and will be vigorously defended. The claim alleges that Cable & Wireless delayed Digicel's entry into seven Caribbean markets by not providing interconnection between its networks and ours on a timely basis. We strongly reject this allegation. Based on legal advice, we are making no provision for the claim itself, but have recorded a charge of £11 million for legal fees for our defence.

(v) During the period, convertible bonds with a par value of £138 million were repurchased for cash of £190 million. This resulted in an accounting loss of £10 million being the difference between the carrying and fair value of the underlying debt component of the repurchased bonds. For further information, refer to note 12.

8. Provisions for liabilities and charges

The table below represents the movements in significant classes of provisions during the six month period ended 30 September 2007:

	Property	Redundancy	Network & asset retirement obligations	Legal and other[1]	Total
	£m	£m	£m	£m	£m
At 31 March 2007	82	7	77	60	226
Current portion	25	7	12	28	72
Non-current portion	57	-	65	32	154
Charged to income statement					
Additional provision	-	8	2	16	26
Amounts used	(14)	(11)	(2)	(5)	(32)
Unused amounts reversed	(1)	-	(1)	(2)	(4)
Exchange	-	-	-	(1)	(1)
At 30 September 2007	**67**	**4**	**76**	**68**	**215**
Current portion	15	4	15	17	51
Non-current portion	52	-	61	51	164
Analysed between:					
Current portion					
International	-	2	9	15	26
Europe, Asia & US	15	2	6	-	23
Central	-	-	-	2	2
Non-current portion					
International	-	-	6	29	35
Europe, Asia & US	48	-	55	1	104
Central	4	-	-	21	25
Total					
International	-	2	15	44	61
Europe, Asia & US	63	2	61	1	127
Central	4	-	-	23	27

[1] Other comprises provisions relating to acquisitions, disposals and discontinued operations of the Group.

9. Intangible assets

During the period, a further £36 million of goodwill was recognised in relation to Monaco Telecom. This increase related to a change in the fair value of the put option held by the Principality of Monaco. The Group's accounting policy in respect of these transactions is to treat the adjustment as contingent consideration.

Additionally, the Group recognised a further £20 million of goodwill in relation to the acquisition of Energis in November 2005. This increase related to contingent consideration that is indexed to Cable & Wireless's share price until December 2007. The maximum payment in respect of the deferred consideration is £80 million of which £61 million has been recognised based on the period end share price.

10. Purchase of further interests in St. Kitts and Nevis
During the period, the Group purchased a further 5,649,230 shares in a subsidiary, Cable & Wireless (St Kitts and Nevis) Limited, for £7 million cash. This purchase increased the Group shareholding from 65.20% to 82.25%. The excess of consideration over the carrying value of the minority interests acquired has been recognised as a component of equity. The Group will offer to sell 5% of Cable & Wireless (St Kitts and Nevis) Limited via a public offering to the residents of St Kitts and Nevis within 12 months of completion.

11. Property, plant and equipment
Other than the sale and leaseback transaction (refer to note 7), there have been no other significant acquisitions or disposals of property, plant and equipment during the period. The Group's capital commitments at 30 September 2007 were £118 million (30 September 2006: £147 million).

12. Convertible bonds
In July 2003, the Company issued 4% unsecured convertible bonds with a nominal value of £258 million. The movements in these bonds during the period were:

	Nominal amount £m	**Carrying amount £m**	**Loss on transaction £m**
Carrying amount of the liability as at 1 April 2007	258	213	-
Interest accrued on bonds	-	7	-
Bonds repurchased for cash (£190m)	(138)	(117)	10
Bonds converted	(120)	(103)	-
Balance at 30 September 2007	-	-	10

During the period, the Group repurchased and converted all of the convertible bonds in issue at 31 March 2007 (carrying value of £213 million). These bonds, repayable in 2010, had a par value of £258 million.

Convertible bonds with a par value of £138 million were repurchased for cash of £190 million. At the time of repurchase, the debt component of these convertible bonds had a carrying value of £117 million. The fair value of the debt component of these bonds at the date of repurchase was £127 million. This transaction resulted in a loss of £10 million. The difference between the fair value of the debt and the cash consideration (£63 million) was allocated to the repurchase of the equity component of the convertible bond.

The remaining convertible bonds, with a par value of £120 million, were converted into 83 million ordinary shares (including 29 million of treasury shares). The debt component of these convertible bonds had a carrying amount of £103 million.

In April 2005, a cash settlement feature within the convertible bonds was removed. The liability relating to this cash settlement feature was reclassified to equity at its fair value on that date (£47 million). As a result of repurchasing and converting the convertible bonds, this amount was reclassified to retained earnings.

13. Bonds
We paid £34 million repurchasing bonds due in 2019 with a nominal value of £32 million.

14. Weighted average number of ordinary shares
The weighted average number of ordinary shares (WANOS) used in the calculation of basic and diluted earnings per share was as follows:

Amounts are in thousands	**Period ended 30 September 2007**	**Period ended 30 September 2006**
Basic WANOS	2,399,002	2,307,405
Diluted WANOS	2,447,079	2,345,367

The number of ordinary shares in issue as at 30 September 2007 (excluding 45,665,878 of treasury shares) was 2,475,157,342.

15. Reserves

The movements in share capital, share premium, treasury shares and other reserves during the period were:

	Share capital £m	Share premium £m	Treasury shares £m	Other £m	Retained earnings £m	Total £m
Balance at 1 April 2007	615	56	(228)	1,697	(459)	1,681
Reclassification of treasury shares	-	-	36	-	(36)	-
Shares allotted under share options scheme	1	4	-	(5)	5	5
Shares allotted under scrip dividends	1	4	-	(5)	5	5
Own shares purchased	-	-	(2)	-	-	(2)
Cash received in respect of employees shares schemes	-	-	-	-	2	2
Conversion of convertible bonds	13	75	36	(88)	88	124
Repurchase and conversion of convertible bonds	-	-	-	(47)	(38)	(85)
ESOP trust shares issued to satisfy awards	-	-	14	-	(14)	-
Foreign currency translation reserves	-	-	-	(29)	-	(29)
Purchase of minority interest	-	-	-	(4)	-	(4)
Actuarial gains recognised	-	-	-	-	150	150
Share based payment costs	-	-	-	-	10	10
Dividends	-	-	-	-	(100)	(100)
Profit for the period	-	-	-	-	104	104
Balance at 30 September 2007	630	139	(144)	1,519	(283)	1,861

16. Dividends paid and proposed

The interim dividend proposed for the six month period ended 30 September 2007 was £61 million (2.5p per ordinary share). The proposed dividend was approved by the sub-committee to the Board on 12 November 2007. The interim dividend paid for the corresponding six month period ended 30 September 2006 was £40 million (1.70p per share).

The final dividend paid on 10 August 2007 for the full year ended 31 March 2007 was £100 million (4.15p per ordinary share). The final dividend paid on 11 August 2006 for the corresponding full year ended 31 March 2006 was £71 million (3.10p per share).

17. Pensions

The IAS 19 surplus for the main UK scheme at 30 September 2007 is £211 million compared with a surplus of £43 million at 31 March 2007 (and a £77 million deficit as at 30 September 2006). The increase in the main UK scheme's surplus since 31 March 2007 reflects the impact of a reduction in scheme liabilities of £112 million driven by an increase in the discount rate from 5.3% to 5.8% and an increase in the scheme's assets of £56 million. We have unfunded pension liabilities in the UK of £21 million (£22 million at 31 March 2007). Defined benefit schemes operated in certain of our overseas businesses have a net IAS 19 surplus of £5 million (£7 million surplus at 31 March 2007).

18. Contingent liabilities

In July 2007, we received a claim from our Caribbean competitor, Digicel, which we believe is without foundation and will be vigorously defended. The claim alleges that Cable & Wireless delayed Digicel's entry into seven Caribbean markets by not providing interconnection between its networks and ours on a timely basis. We strongly reject this allegation. Based on legal advice, we are making no provision for the claim itself, but have recorded a charge of £11 million for the legal fees for our defence.

19. Related parties

The nature of related parties as disclosed in the consolidated financial statements for the Group as at and for the year ended 31 March 2007 has not changed. Further, there have been no significant related party transactions in the six month period ended 30 September 2007.

20. Risks to our future success

Other than as highlighted within this interim management report, there has been no change to the principal risks for Cable & Wireless during the six month period ended 30 September 2007. These risks are outlined in the Annual Report for the Group for the year ended 31 March 2007.

21. Discontinued operations

Discontinued operations represent those businesses discontinued or disposed of. During the period, there were further releases in provisions held with respect to the exit from US businesses.

22. Subsequent events

There have been no material subsequent events between 30 September 2007 and the approval of these statements by the Board.

INDEPENDENT REVIEW REPORT TO CABLE AND WIRELESS PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of recognised income and expense, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the group are prepared in accordance with IFRS as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants 12 November 2007
Registered Auditor, London

RESPONSIBILITY STATEMENT

This interim management report is the responsibility of, and has been approved by, the directors of Cable and Wireless plc. Accordingly, the directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Cable and Wireless plc are listed in the Cable and Wireless plc Annual Report of 23 May 2007. A list of current Directors is also maintained on the Cable and Wireless plc website: www.cw.com

By order of the Board

Richard Lapthorne Chairman	Tony Rice Joint Group Managing Director and Finance Director

12 November 2007

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipates, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable & Wireless' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. A summary of some of the potential risks faced by Cable & Wireless is set out in the Company's most recent Annual Report.

Forward-looking statements speak only as of the date they are made and Cable & Wireless undertakes no obligation to revise or update any forward-looking statement or any other forward-looking statements it may make, contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise (except as required by the UK Listing Authority, the London Stock Exchange, the City Code on Takeovers and Mergers or by law).